

Budget and Precept 2017/18

Attachments:

1. Risk Matrix for Budget Setting
2. Budget Working Papers
 - A Resources Income
 - B Resources Expenditure
 - C Open Spaces Income
 - D, Open Spaces Expenditure
3. Contingency Calculation
4. Earmarked Reserves
5. Council Tax Options

Introduction

1. This paper provides information to accompany the budget working papers; it provides some general background and also some detailed information that is too lengthy to include on the budget working paper.
2. Throughout the year, the Resources Committee and the Open Spaces Committee receive information on income and expenditure compared to the budget for the year, this is to monitor and plan in-year expenditure and helps identify potential budget changes for future years.
3. At the October and November Open Spaces and Resources Committee meetings there were agenda items to start considering the 2017/18 budgets.
4. A Councillor workshop, took place in November and provided an informal opportunity to understand the budget process and make suggestions regarding the 2017/18 income, expenditure, possible projects and ways of generating income.
5. At the Town Council meeting in December 2016 the Council approved its first Strategic Plan – this covers the period 1 April 2017 – 31 March 2020. The intention is that a 3 year rolling budget will be developed to complement the Strategic Plan.
6. To provide assistance to Councillors in making budget decisions, the budget working paper shows information relating to past and present expenditure namely:
 - actual expenditure in 2015/16 – the last complete financial year
 - the budget for the current financial year, 2016/17,
 - the actual expenditure as at 31 December 2016 (66% of the year)
 - the potential spend for 01.01.17 -31.03.17
 - the forecast spend for 2015/17
7. As part of the Town Council's positive efforts to keep the public informed of its decisions and actions, information on expenditure compared to the budget for the year is posted on the Town Council's website at <http://www.ilminster.gov.uk/about-ilminster/finances/> the published information includes information relating to single payments and cumulative payments to a single supplier.

Budget and Precept Definitions

8. The **Budget** is the amount of money that the Council intends to spend, save or otherwise allocate and is usually divided into categories or headings.
9. The **Precept** is the amount of income raised through billing authorities (district or unitary councils) by a council as Council Tax in order to provide services.
10. The budget and precept amounts do not have to be the same, for example the budget can exceed the amount of money raised by the precept if money can be taken from existing reserves for some items of expenditure.

Town Council Duties and Legal Responsibilities

11. Town Councils have few duties regarding direct service provision - for example the maintenance of a closed churchyard;
12. There are many duties relating to the way in which the Town Council functions for example it must be convened at least three times a year in addition to the annual council meeting, a Responsible Financial Officer must be appointed and Councils must review the effectiveness of their system of internal control at least once year.
13. The Town Council also has legal duties resulting from the things it does - examples are the Town Council employs staff it has to provide them with personal protective equipment (PPE) and it must have insurance for vehicles it owns and takes on the road.

Risk Management

14. "Risk Management is not just about financial management; it is about protecting the achievement of objectives set by the Council to deliver high quality public services. The failure to manage risks effectively can be expensive in terms of litigation and reputation, the ability to achieve desired targets, and, eventually, on the local community's Council Tax bills." (Governance and Accountability for Local Councils, March 2014 para 2.101)
15. The Town Council approved its Risk Management Policy at the December 2016 Town Council Meeting. The risk management policy statement is "The Town Council will have a proactive approach to risk management to help achieve the objectives outlined in the strategic plan, support decision making and ensuring that its business is conducted in accordance with the law as well as economically, efficiently, and effectively."
16. A risk matrix has been developed for the budget process which is Attachment 1.

Council Tax Capping

In the Localism Act 2011 the Government introduced the requirement for local authorities to hold local referendums on the level of Council Tax if an increase was considered to be excessive based upon a set of principles defined by the Secretary of State, and approved by the House of Commons. Whilst no principles have yet been applied to parish and town councils, and there is no intention to do so for 2017/18, the Department for Communities and Local Government did consult in 2016 on the possibility that the principles would be applied. The option of subjecting town and parish councils to the referendum principles in future financial years is still available and the government expects town and parish councils to behave responsibly and protect their taxpayers from excessive precept increases.

Council Tax in Ilminster

17. The full amount of Council Tax currently levied in Ilminster includes the following elements:

- Somerset County Council
- South Somerset District Council
- Ilminster Town Council
- Avon and Somerset Police and Crime Commissioner
- Devon and Somerset Fire and Rescue Authority.
- A levy for the Somerset Rivers Authority (SRA) which was formed in January 2015 (to deliver the Somerset Levels and Moors Flood Action Plan, which was developed after the prolonged flooding in the county during winter 2013/14. (The scope of the SRA includes strategic planning, land management and building local resilience as key activities, with community engagement around these responsibilities.)

18. It is possible that Somerset County Council will choose to utilise the option for an additional social care Council Tax precept guaranteed to be spent on social care

Council Tax Reduction Scheme (CTRS)

19. In April 2013 the national Council Tax Benefits Scheme was abolished and replaced with Council Tax Reduction Schemes devised and operated by District / Unitary Councils. These schemes have an impact upon the Band D equivalent calculation of the Council Tax Base and thus on the precept.

20. The Government decided that Town and Parish Councils would not be exempt from calculation of CTRS and this meant the number of Band D equivalent properties was reduced.

Council Tax Base

21. The Council Tax Base is a calculated figure, (not a real figure) of the number of dwellings converted to Band D equivalent. The method of calculation is set out in legislation and the calculation is undertaken by South Somerset District Council (SSDC). Broadly the calculation works out the number of properties per council tax band per Town and Parish and then makes adjustments for:

- New properties/demolitions
- Exempt properties
- Disabled adaptations
- Empty Homes Premium – 150%
- Discounts
 - One adult households
 - No liable adults
 - Empty properties
 - Households receiving Council Tax Reduction Scheme discount

The figure after the adjustments is then multiplied by a specified factor to give a Band D equivalent.

22. In 2014/15 the council tax base for Ilminster was 1,888.22; for 2015/16 was 1,913.56; for 2016/17 is 1,999.95; and for 2017/18 is 2,022.31.

Council Tax Reduction Scheme Grant

23. The Government give a grant to District Councils to pass to Town and Parish Councils to help alleviate the impact of the CTRS on the Council Tax Base. South Somerset District Council have voted to pass on the grant but this is not the case everywhere.
24. The grant in most cases is insufficient to cover the difference between what would be raised by Band D equivalents under the council tax benefits scheme and the new system.
25. Analysis by SSDC shows that CTRS has impacted on towns more than parishes because claimants of discounts more likely to live in towns and Band D charges tend to be greater for towns than parishes
26. When, in 2013, the Government decided to transfer financial responsibility for the council tax benefits / reduction scheme to Local Authorities, it initially paid around 90% of the estimated share deemed to be the responsibility of Town and Parish Councils. That payment was then absorbed into Revenue Support Grant and could not be identified as an individual component, but South Somerset District Council (SSDC) have assumed that it has been reducing proportionally in line with Local Authority reductions in central Government grant. The grant was a compensatory sum as the Council Tax Reduction Scheme reduced the tax base for each authority and therefore impacted the amount of precept that could be raised from residents.
27. The Revenue Support Grant cut announced after the Chancellor's 2015/16 Autumn Statement was heavily front-loaded for SSDC and the figures show that by 2019/20 SSDC will receive no Revenue Support Grant at all.
28. As this will affect precept considerations SSDC provided their estimate of future years so that we can plan accordingly. Based upon the current CTRS caseload the impact on Ilminster over the following years has been assessed as:-
 - 2016/17 - £17,690 as already advised
 - 2017/18 – £6,810 as already advised (and used in the budget papers being presented to Council)
 - 2018/19 - £1,970
 - 2019/20 - £Nil
29. The largest reduction /impact is this year, 2017/18; this is because the reduction for SSDC in 2016/17 was greater than expected but they chose to protect towns and parishes from that unpredicted reduction for that year and make the adjustment in the subsequent year.
30. Please note that the above figure for 2018/19 is an estimate and the figure may vary depending on the profile of residents within Ilminster who are in receipt of CTRS and any Council Tax increase.

Strategic Plan

31. The Strategic Plan says
 - *“The Town Council’s resources will be focussed on 3 strategic themes:*
 - *The Ilminster Economy,*
 - *The Ilminster Environment*
 - *Community Engagement and Governance”*
32. The Strategic Plan gives the following information about projects
 - *“The list of projects / activities to be included in the 2017/18 – 2019/2020 workplan are:*

Agenda No 9

- *Open Spaces – provision of toilets in the Wharf Lane Recreation Ground, developing a dog policy, implementing the Open Spaces masterplan (regarding the Wharf Lane Rec & Britten’s Field)*
- *Cemetery – researching future need, availability of suitable land and the feasibility of developing a new cemetery; acquiring suitable land and designing new facility*
- *Protecting Herne Hill from the impact of nearby development - including obtaining designation as a local nature reserve and acquisition of additional land*
- *Encourage use of Herne Hill by providing route signage and information boards*
- *Town Council accommodation*
- *Development of a Neighbourhood Plan (subject to community support)*
- *Protecting the burial / cemetery records whilst maintaining accessibility.”*

Suggested Income and Expenditure Amounts

33. Attachments 2A-D provide information on previous, present and possible future income and expenditure.

Income From Rents

34. During 2016/17 the Cricket Club became liable for the rent for both the Cricket Pavilion and The Shed. The Cricket Club has undertaken extensive work to The Shed during the year and are developing plans for The Pavilion. The Base Rent for The Shed has been agreed as £300.00 per annum. Negotiation still have to take place with regard to The Pavilion and pitches.
35. The base rent and a discount structure for the Archie Gooch Pavilion have been agreed which will provide a rent to the Town Council of £325.00 in 2017/18

General Revenue Expenditure

36. In calculating budget figures for 2017/18 each budget heading and its component parts has been considered in the light of past expenditure together with expenditure during the current year and what is likely to be needed during the next year; no automatic increases have been applied.
37. In 2016/17 it was agreed not to include a budget provision for small grants,
38. A sum of £2,900 for two Revenue Subsidy Grants, has been included in the 2017/18 budget - £2,000 for the Ile Youth Club and £900 for Ilminster Tourism.
39. A grant of £400.00 for Ilminster Literary Festival has been agreed by the Resources Committee.
40. The budget papers presented for consideration show provision for a grant pot of £3,300 taking into account 37 & 38 above.

Salaries

41. The salaries budget has been based on:
- Having the currently agreed complement of office staff employed for a full year (Town Clerk (35 hours), Deputy Town Clerk (25 hours), Admin Officer (Information)(20 hours) & Admin Officer (Support) (12 hours))

- The Open Spaces Team having the currently agreed complement of staff (Senior Open Spaces Warden, 1 Open Spaces Warden full-time and 1 Open Spaces Warden part-time & Apprentice Open Spaces Warden)
- The apprentice salary has been calculated at the apprentice rate of £3.40 per hour changing to the minimum wage for an 18-21 year old person after the appropriate length of service

Contingency

42. The contingency - gives a provision to cover 4 months general running costs. The recommendations from auditors are that a contingency allowance is made every year to cover between 3 and 24 months running costs. Attachment 3 shows the calculations and elements used to arrive at a suggested contingency figure for 2017/18.

Earmarked Reserves

43. In order to “save” for replacement equipment or maintain structures and land, or “save” towards larger projects, money from the precept is put aside each year. Attachment 4, the earmarked reserves papers, lists the items for which a reserve is held, purchase information and the renewal allowance to be “saved” in 2017/18.
44. The Open Spaces Committee has scrutinised the reserves associated with the Committee and agreed some significant reductions for 2017/18 allocations; these are to be “one-off” reductions to help manage the severe loss of Council Tax Reduction Scheme Grant in 2017/18.

Summary

45. There are many factors to examine and contemplate when considering setting the Town Council budget and precept including how to best use the Council’s resources to implement the Strategic Plan. This paper and the attachments aim to provide Councillors with information to initiate and enable constructive debate and realistic decision making.

Background Papers:

The Good Councillors Guide 4th edition
Governance and Accountability for Local Councils March 2014
The Town Council’s Strategic Plan 2017/20118 – 2019/2020
The Town Council’s Risk Management Policy

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